

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

MMJK, INC.,	)	
	)	
Plaintiff(s),	)	No. C07-3236 BZ
	)	
v.	)	<b>ORDER DENYING PLAINTIFF'S</b>
	)	<b>MOTION FOR PRELIMINARY</b>
ULTIMATE BLACKJACK TOUR LLC,	)	<b>INJUNCTION</b>
	)	
	)	
Defendant(s).	)	
_____	)	

This patent dispute is between rival operators of online card game tournaments, which are operated legally if they conform with the Unlawful Internet Gambling Enforcement Act of 2006.<sup>1</sup> Plaintiff's tournament is protected by U.S. Patent No. 7,094,154 ("154 patent"), filed on December 30, 2004, and issued on August 22, 2006. The patent is "directed to computer networked multi-player games of both chance and skill that allow subscription-based and non-subscription players

---

<sup>1</sup> All parties have consented to my jurisdiction, including entry of final judgment, pursuant to 28 U.S.C. § 636(c) for all proceedings.

(using an "alternative method of entry") a chance to win prizes that have immediate value (i.e., cash, cash-equivalent notes and objects)." Pl.'s Mot. at 2. Plaintiff has been operating online tournaments based on the '154 patent since November 2005. Kellerman Decl. ¶ 3; Kellerman Supp. Decl. ¶ 4. On June 17, 2007, plaintiff claims to have become aware that defendant was hosting online tournaments that infringe its patent. Plaintiff sued defendant on June 19, 2007, and now moves to enjoin defendant from continuing to host the challenged tournaments.

"A preliminary injunction is a 'drastic and extraordinary remedy that is not to be routinely granted.'" National Steel Car, Ltd. v. Canadian P. Ry., Ltd., 357 F.3d 1319, 1324 (Fed. Cir. 2004) (quoting Intel Corp. v. ULSI Sys. Tech., Inc., 995 F.2d 1566, 1568 (Fed. Cir. 1993)). The parties agree that, for plaintiff to prevail on its motion for preliminary injunction, it must establish "four factors: '(1) a reasonable likelihood of its success on the merits; (2) irreparable harm if an injunction is not granted; (3) a balance of hardships tipping in its favor; and (4) the injunction's ... impact on the public interest.'" Sanofi-Synthelabo v. Apotex, Inc., 470 F.3d 1368, 1374 (Fed. Cir. 2006) (quoting Amazon.com, Inc. v. Barnesandnoble.com, Inc., 239 F.3d 1343, 1350 (Fed. Cir. 2001)).

To establish likelihood of success on the merits requires plaintiff to show "that, in light of the presumptions and burdens that will inhere at trial on the merits, (1) [plaintiff] will likely prove that [defendant] infringes the

1 ... patent, and (2) [plaintiff's] infringement claim will  
2 likely withstand [defendant's] challenges to the validity and  
3 enforceability of the ... patent." Amazon.com, Inc., 239 F.3d  
4 at 1350 (citing Genentech, Inc. v. Novo Nordisk, A/S, 108 F.3d  
5 1361, 1364 (Fed. Cir. 1997)). In other words, if defendant  
6 "raises a substantial question concerning either infringement  
7 or validity, i.e., asserts an infringement or invalidity  
8 defense that the [plaintiff] cannot prove 'lacks substantial  
9 merit,' the preliminary injunction should not issue." Id. at  
10 1350-51 (quoting Genentech, Inc., 108 F.3d at 1364).

11 In considering likelihood of success on infringement, the  
12 court first, construes the scope and meaning of the patent  
13 claims asserted and second, compares the construed claims to  
14 the allegedly infringing device. Oakley, Inc. v. Sunglass Hut  
15 Intern., 316 F.3d 1331, 1339 (Fed. Cir. 2003). The burden of  
16 proof remains on the plaintiff. See, e.g., Amazon.com, Inc.,  
17 239 F.3d at 1350 (explaining that the movant must show that it  
18 is likely prove infringement and that it will likely withstand  
19 any invalidity defenses).

20 Based on the record before me, plaintiff has failed to  
21 demonstrate the likelihood that it will succeed in its claim  
22 construction arguments. Independent claims 1 and 5 of the  
23 '154 patent require the disbursement of "the prize pool to the  
24 winning player and any eligible runner-up players in the form  
25 of prizes that have immediate value, subsequent to completion  
26 of the tournament." A principal distinction between the rival  
27 tournaments is the timing of the distribution of prizes. In  
28 plaintiff's tournaments, the prizes to the winner and the

1 runners-up are distributed after the tournament ends. In  
2 defendant's tournaments, most runners-up are credited their  
3 "tournament point" prizes prior to the completion of the  
4 tournament and can immediately use those points to enter  
5 other tournaments.<sup>2</sup> See Rosenthal Decl. ¶¶ 24-26; Def.'s  
6 Surreply at 5. Thus, defendant argues, its tournaments do not  
7 infringe because the claim requires that all the prizes be  
8 distributed after the tournament ends.

9 To avoid defendant's argument, plaintiff contends that  
10 "as properly construed" the term "any eligible runner-up  
11 players" in the '154 patent does not require that every  
12 conceivable prize be distributed after completion of the  
13 tournament. Rather, the "prize pool" is limited to "prizes  
14 that have immediate value". "Immediate," plaintiff claims,  
15 limits the conception of "prizes" to those that have inherent  
16 or intrinsic value, such as cash. Thus, the runners-up need  
17 only wait until after the tournament to collect prizes of  
18 inherent value. According to plaintiff, because defendant's  
19 tournament points do not constitute "prizes that have  
20 immediate value," and because defendant distributes its  
21 inherently valuable prizes after its tournaments, defendant's  
22 site infringes the claim.

23 Plaintiff has not persuaded me that its claim

---

24  
25 <sup>2</sup> Defendant's practice is to award winners some  
26 combination of cash and/or tournament points, and to credit  
27 runners-up with tournament points upon elimination and prior to  
28 completion of the tournament. According to defendant, the  
tournament points, also referred to as prize points or playing  
chips, may be redeemed "to enter other games or tournaments,"  
without waiting for that tournament to end. Def.'s Opp. at 5;  
see also Def.'s Surreply at 5.

1 constructions are likely to be adopted. First, plaintiff  
2 relies on a construction of "immediate" unsupported by the  
3 '154 patent. The text does not, as plaintiff contends, read  
4 out a temporal meaning to the term.<sup>3</sup> Indeed, plaintiff's  
5 unsupported interpretation moves away from the commonly  
6 understood meaning of the word. See Phillips v. AWH Corp.,  
7 415 F.3d 1303, 1312-14 (Fed. Cir. 2005) (en banc) (explaining  
8 that, absent intrinsic evidence to the contrary, terms are to  
9 be given their ordinary meaning as understood by one of  
10 ordinary skill in the art, which may involve "little more than  
11 the application of the widely accepted meaning of commonly  
12 understood words."). Insofar as defendant's tournament points  
13 have value in allowing a player immediately to enter another  
14 game, the '154 patent would seem to require that they be  
15 distributed after completion of the tournament.<sup>4</sup> Thus,  
16 defendant's distribution of the points during its tournaments  
17 presents a serious challenge to plaintiff's infringement  
18 argument.

19 Second, assuming that the only prizes that have to be  
20

---

21 <sup>3</sup> The abstract describes the '154 patent as  
22 contemplating disbursement, after completion of the game or  
23 tournament, "of cash, cash-equivalent notes, or prizes that  
24 have inherent and immediate value." Noah Decl. ¶ 2, Exh. A  
25 ('154 patent Abstract). The phrase appears again in the  
26 invention summary, id. at col. 2, lines 29-33, and a nearly  
27 identical phrase appears in the detailed description of the  
28 preferred embodiment. See id. at col. 8, lines 64-65  
(substituting "prizes that have immediate intrinsic value.").  
The patent's interchangeable use of the terms inherent and  
intrinsic in conjunction with the term immediate suggests that  
immediate has some meaning other than inherent or intrinsic.

<sup>4</sup> In context, plaintiff's argument that "any" does not  
mean "all" strains the plain meaning of the term.

1 distributed after completion of the tournament are prizes that  
2 have inherent or intrinsic value, a serious question  
3 nonetheless remains. Because a player may immediately  
4 exchange his points for entry into a new tournament which, in  
5 turn, allows the player to compete for cash and other prizes,  
6 plaintiff has not persuaded me that the points have no  
7 inherent or intrinsic value.

8 Finally, plaintiff attempts to use the "prizes that have  
9 immediate value" language to limit the concept of "prize  
10 pool." Yet, the patent does not define the conception of the  
11 "prize pool" as something less than all the prizes.<sup>5</sup>  
12 Moreover, assuming that the prize pool may be defined so as to  
13 exclude tournament points, defendant's inclusion of such  
14 points in its pools presents yet another challenge to  
15 plaintiff's infringement claim.

16 In short, plaintiff has failed to demonstrate that it is  
17 reasonably likely to prove that the challenged tournaments  
18 infringe the '154 patent, be it literal or under the doctrine  
19 of equivalents.<sup>6</sup> On this record, substantial questions remain

---

20 <sup>5</sup> Plaintiff asserts that the patent's text clarifies  
21 the issue. See Noah Decl. ¶ 2, Exh. A, col. 8, lines 6-8  
22 ("Other prizes, such as objects that have immediate value, can  
23 also be awarded to winners."). This sentence, however, only  
24 suggests that one kind of prize that may be awarded is an  
25 object of immediate value. Indeed, as already discussed, the  
26 patent clearly contemplates the distribution of other prizes,  
27 such as cash-equivalent notes.

28 <sup>6</sup> Insofar as defendant's distribution of tournament  
points prior to the conclusion of tournaments helps to maximize  
customer game play, Rosenthal Decl. ¶¶ 25, 26, the element is  
not insubstantially different from the '154 patent claim  
limitation. See, e.g., Digital Biometrics, Inc. v. Identix,  
Inc., 149 F.3d 1335, 1349 (Fed. Cir. 1998).

1 as to plaintiff's likelihood of success on infringement.

2 Nor has plaintiff demonstrated that it is likely to  
3 overcome defendant's invalidity defenses. Where a defendant  
4 raises invalidity as a defense to a motion for preliminary  
5 injunction, the plaintiff retains the burden of establishing  
6 likelihood of success on the merits. See Oakley, Inc. v.  
7 Sunglass Hut Intern., 316 F.3d 1331, 1339 (Fed. Cir. 2003);  
8 Helifix, Ltd. v. Blok-Lok, Ltd., 208 F.3d 1339, 1351 (Fed.  
9 Cir. 2000). "Vulnerability is the issue at the preliminary  
10 injunction stage, while validity is the issue at trial. The  
11 showing of a substantial question as to invalidity thus  
12 requires less proof than the clear and convincing showing  
13 necessary to establish invalidity itself." Amazon.com, Inc.,  
14 239 F.3d at 1359.

15 If "the subject matter sought to be patented and the  
16 prior art are such that the subject matter as a whole would  
17 have been obvious at the time the invention was made to a  
18 person having ordinary skill in the art to which said subject  
19 matter pertains," the patent is invalid as obvious. 35 U.S.C.  
20 § 103(a). Recently, the Supreme Court rejected a rigid  
21 obviousness analysis requiring that "some motivation or  
22 suggestion to combine the prior art teachings ... be found in  
23 the prior art, the nature of the problem, or the knowledge of  
24 a person having ordinary skill in the art." KSR Intern. Co.  
25 v. Teleflex Inc., 127 S. Ct. 1727, 1734 (2007) (internal  
26 quotation and citation omitted). Instead, the Court  
27 explained:

28 When a work is available in one field of

endeavor, design incentives and other market forces can prompt variations of it, either in the same field or a different one. If a person of ordinary skill can implement a predictable variation, § 103 likely bars its patentability. For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill.

Id. at 1740. The Court emphasized that if design needs or market pressures urge solution to a problem, "and there are a finite number of identified, predictable solutions, a person of ordinary skill has good reason to pursue the known options...." The combination of elements of prior art, under this circumstance, is more a matter of "common sense" and may demonstrate obviousness. Id. at 1742.

Here, defendant claims that prior art rendered obvious the technology claimed in the '154 patent. In particular, defendant points to online gaming networks maintained at Bugsysclub.com, Pokerschoolonline.com, and Pokerpages.com. See Def.'s Opp. at 7. In reply, plaintiff asserts that each site offered a different kind of gaming experience. See Pl.'s Reply at 6-9. Thus, Bugsysclub was a "play for money" only gaming site with no free play and no subscription-based memberships. Id. at 6. Pokerpages.com amounted to a "free play site only" with no subscription-based memberships. Id. at 6, 8. Pokerschoolonline.com hosted "a subscription site with no free play." Id. Defendant counters by explaining that the sites themselves are integrated by, for example,



1 allowing an individual to play on all three sites using the  
2 same software and the same username and password. See  
3 Rosenthal Decl. in Support of Surreply ¶¶ 51, 52.

4 Substantial questions exist about whether plaintiff is  
5 likely to overcome the obviousness defense. All or nearly all  
6 of '154 patent claims appear to have been taught by the prior  
7 art and, in particular, the Bugsysclub "Frequently Asked  
8 Questions" page. See Rosenthal Decl. ¶ 14, Exh. C. Plaintiff  
9 opines that the '154 patent's inclusion of subscription and  
10 non-subscription-based paying and non-paying players in one  
11 site distinguishes it from the previous art. Pl.'s Reply at  
12 15.<sup>7</sup> All this amounts to, however, is a combination of  
13 technology previously employed. Bugsysclub's use of three  
14 separate sites did not teach away from that combination,  
15 particularly in light of the integration of the Bugsysclub  
16 sites and plaintiff's own explanations of the market forces at  
17 work in the online gaming industry.<sup>8</sup> The record suggests that

---

18  
19 <sup>7</sup> At hearing, plaintiff argued that the Bugsysclub  
20 sites did not teach "a means for allowing a non-subscription  
21 player to participate in the tournament without payment of the  
22 fee by submitting information relating to the non-subscription  
23 player . . . ." See Noah Decl. ¶ 2, Exh. A, col. 11, lines 47-  
24 50; id. at col. 12, lines 30-33. Screen shots of the  
25 Bugsysclub "Frequently Asked Questions" page provided by  
defendant, however, indicate that a person wanting to play for  
free was asked to complete registration materials first, and  
then play by clicking through the Pokerpages link. See  
Rosenthal Decl. ¶ 14, Exh. C at 18. Otherwise, plaintiff does  
not point to any other claim of the '154 patent not taught by  
the Bugsysclub prior art. Pl.'s Reply at 15.

26 <sup>8</sup> Plaintiff's President and CEO asserts that "it is  
27 well known in this industry that if a provider of online gaming  
28 services reaches a 'critical mass' in terms of numbers of  
customers, it is nearly impossible for other providers to  
achieve comparable market shares." Kellerman Decl. ¶ 7. Thus,  
there is a constant push in the industry to expand market

1 a person experienced in the art might well have recognized  
2 that the teachings from the prior art could be beneficially  
3 combined. See Rosenthal Decl. ¶¶ 4-11, 33, 153-63; Rosenthal  
4 Decl. in Support of Surreply ¶ 176.<sup>9</sup> In light of the KSR  
5 case, plaintiff has failed to demonstrate that it is likely to  
6 overcome defendant's assertion that the '154 patent is invalid  
7 as obvious.

8 Plaintiff's failure to establish a likelihood of success  
9 on the merits alone precludes issuance of a preliminary  
10 injunction. See Polymer Technologies, Inc. v. Bridwell, 103  
11 F.3d 970, 973-74 (Fed. Cir. 1996) (citing Reebok International  
12 Ltd. v. J. Baker, Inc., 32 F.3d 1552, 1556 (Fed. Cir. 1994)).  
13 However, I additionally conclude that plaintiff has not  
14 demonstrated that existence of irreparable harm.

15 Where, as here, plaintiff fails to make a strong showing  
16 on likelihood of success, there is no presumption of  
17 irreparable harm. See Eli Lilly and Co. v. American Cyanamid  
18 Co., 82 F.3d 1568, 1578 (1996); Yamashita v. Wilbur-Ellis Co.,  
19 2006 WL 1320470, at \*6 (N.D. Cal). Plaintiff's argument that  
20 \_\_\_\_\_  
21 share. One obvious way to do so is to create a network that  
22 can capture both paying and non-paying players.

22 <sup>9</sup> Plaintiffs's efforts in its papers and at the hearing  
23 to undermine defendant's obviousness argument by attacking the  
24 Rosenthal declarations as conclusory or inadequate are not  
25 persuasive. In the context of discussing anticipation, Mr.  
26 Rosenthal compared the '154 patent claims to the prior art in  
27 detail. He then drew conclusions as to obviousness based on  
28 that analysis. In his supplemental declaration, he referred  
specifically to claim charts tracking the claims and the  
teachings, and discussed application of the legal test prior to  
and post-KSR. While some of plaintiff's contentions might  
provide productive cross-examination of Mr. Rosenthal, his  
opinions raise a serious question as to invalidity and  
plaintiff offered no expert declaration to the contrary.

1 it will suffer irreparable harm centers on the claim that it  
2 "may never be able to capture the market share Defendant has  
3 unlawfully obtained through its infringement." Pl.'s Mot. At  
4 7; see also Pl.'s Reply at 18.<sup>10</sup>

5 Plaintiff's argument is flawed insofar as it presumes  
6 that it would succeed in capturing some material portion of  
7 defendant's customer base absent defendant's current presence  
8 in the market. At the hearing, the plaintiff contended its  
9 site and the defendant's site are the only two U.S.-based  
10 sites where U.S. players can legally play on-line poker  
11 tournaments. Defendant did not contest this assertion.  
12 Plaintiff, however, admitted that non-legal sites compete in  
13 the market. Thus, the degree to which plaintiff will lose  
14 customers to defendant's tournaments is speculative.

15 More importantly, the presence of only two legal  
16 competitors seriously undercuts plaintiff's argument that it  
17 will not be able to recapture market share, and strongly  
18 suggests that damages will be a sufficient remedy should  
19 defendant later be found to infringe. Assuming some portion  
20 of the pertinent U.S. gaming market will be drawn only to  
21 legal sites, if and when defendant is enjoined from its  
22 infringement plaintiff will be the only alternative for

---

23  
24 <sup>10</sup> Defendant objected to a number of statements made in  
25 the Kellerman Declaration relating to the online gaming market  
26 and the nature and amount of harm plaintiff will suffer without  
27 issuance of an injunction, arguing that the statements  
28 demonstrated a lack of foundation for personal knowledge and,  
in some cases, amounted to an improper lay opinion or hearsay.  
See Def.'s Obj.'s to Evidence Nos. 2-5. In light of Mr.  
Kellerman's position with plaintiff, I find these objections to  
be without merit. They are therefore **OVERRULED**, and I will  
give the statements the weight each deserves.

1 defendant's lawful customers.<sup>11</sup> And, despite plaintiff's  
2 unsupported contention that its losses will be incalculable,  
3 the presence of only one competitor would presumably make the  
4 loss calculations easier. Plaintiff has not persuaded me that  
5 monetary damages in this case are incalculable or insufficient  
6 to remedy the claimed harm. See, e.g., Millar Decl.<sup>12</sup>

7 Defendant makes a number of other arguments, such as that  
8 plaintiff engaged in inequitable conduct, that the court need  
9 not reach. Likewise, the other two remaining preliminary  
10 injunction factors are not significant. The public interest  
11 is minimally implicated by the grant or denial of an  
12 injunction. The balance of the hardships should an injunction  
13 issue arguably tips in defendant's favor. Plaintiff's showing  
14 about loss of market share is speculative, whereas an

---

16 <sup>11</sup> At hearing, plaintiff suggested that defendant may  
17 drive it out of business should they succeed in capturing a  
18 customer base "critical mass." See also Kellerman Decl. ¶ 7,  
19 Kellerman Supp. Decl. ¶ 8. This assertion, however, is  
20 undercut in part by the information Kellerman himself provides  
21 regarding the current strength of plaintiff's business. See  
Kellerman Supp. Decl. ¶¶ 10-12. At any rate, the claim is  
speculative; no other evidence in the record suggests that  
plaintiff will be driven out of business should a preliminary  
injunction not issue.

22 <sup>12</sup> In any event, "neither the difficulty of calculating  
23 losses in market share, nor speculation that such losses might  
24 occur, amount to proof of special circumstances justifying the  
extraordinary relief of an injunction prior to trial."  
Nutrition 21 v. U.S., 930 F.2d 867, 871 (Fed. Cir. 1991)  
(citing Nuclear-Chicago Corp. v. Nuclear Data, Inc., 465 F.2d  
428 (7th Cir. 1972)). This is not a case such as Oakley, Inc.,  
25 in which the court, concluding that plaintiff would be afforded  
26 the presumption of irreparable harm, noted that plaintiff had  
27 demonstrated a nearly exclusive market share over the product  
28 in question, and that defendants were about to release a new  
product threatening that share. 316 F.3d at 1345. Here,  
plaintiff has not established an exclusive market share in part  
because defendant's "product" is already on the market.

1 injunction would exclude defendant from the market and could  
2 have collateral consequences to other aspects of defendant's  
3 business, such as its television program.<sup>13</sup> Cf. Pfizer v.  
4 Teva Pharmaceuticals, USA Inc. 429 F.3d 1364, 1382 (Fed. Cir.  
5 2005).

6 Since plaintiff has failed to carry its burden to  
7 demonstrate a likelihood of success on the merits, or that it  
8 will suffer irreparable harm absent court intervention,  
9 plaintiff's motion for a preliminary injunction is **DENIED**.<sup>14</sup>

10 Dated: August 22, 2007

11 

12 Bernard Zimmerman  
13 United States Magistrate Judge  
14  
15  
16  
17  
18  
19  
20  
21

22 G:\BZALL\BZCASES\MMJK V.ULTIMATE BLACKJACK\Order Deny Prelim Inj 6 Post Hearing.wpd

23 <sup>13</sup> Plaintiff objected to Mr. Millar's statement  
24 concerning the probable effect an injunction would have on its  
25 television show for lack of personal knowledge and improper lay  
26 opinion. See Pl.'s Obj.'s to Evidence No. 3. Given Mr.  
27 Millar's function and role with defendant, however, Millar  
28 Decl. ¶ 3, plaintiff's objection is **OVERRULED**.

29 <sup>14</sup> Both plaintiff and defendant registered a number of  
30 objections to evidence. In this Order, I have ruled only on  
31 those objections relating to evidence I relied on in deciding  
32 plaintiff's motion. As to the remaining objections, they are  
33 **OVERRULED** as moot.